



Due Diligence Questions for B2B SaaS companies – Preparing for Acquisition

Introduction:

As a B2B SaaS business owner or advisor, preparing for an acquisition can be intense, particularly during due diligence. Buyers will scrutinise every part of your business, from your financial health to compliance with healthcare regulations.

At **Foundy**, we specialise in supporting business owners through **long-term exit planning** and **deal execution**, ensuring a smooth and successful process. You can learn more here: foundy.com/sellers. In addition to completing many acquisitions with sell-side clients, Foundy has over 14,000 self-registered acquirers, and we have valuation and deal data on over 1 million historical transactions, including funding rounds and acquisitions. This is updated daily via credible sources such as Capital IQ and Beauhurst.

This guide outlines key due diligence questions buyers are likely to ask, with context and recommendations for each one to help you prepare. By understanding what buyers are looking for, you'll be in a stronger position to impress them and achieve a favourable outcome. The result? You can unlock additional significant share value, possibly 7 or 8 figures.

Section 1: Due Diligence Questions

1. Company Structure & Overview

- **Context:** Understanding the organisational structure of a B2B SaaS business is critical for buyers, as it indicates how decisions are made, who the key personnel are, and how ownership is distributed. Buyers want to see streamlined leadership and decision-making processes, which can affect the long-term scalability of the company.
- **Question:** *Can you provide an organisational chart detailing key personnel, decision-making structures, and ownership distribution?*
- **Green Flag:** A clear organisational chart with defined roles and responsibilities, strong leadership, and an experienced management team.

- **Red Flag:** Overlapping or unclear roles, high turnover in leadership, or complex ownership structures that could complicate decision-making.
 - **Actionable Recommendation:** Ensure your **organisational chart** is well-documented and highlights the strengths of your leadership team. Consider simplifying ownership structures if needed. Use a visualisation tool like **Lucidchart** for professional diagrams. See examples of effective org charts [here](#).
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2. Financial Data

- **Context:** Buyers will want to assess your financial health, focusing on key SaaS metrics such as **Monthly Recurring Revenue (MRR)**, **Annual Recurring Revenue (ARR)**, **Customer Acquisition Cost (CAC)**, and **Lifetime Value (LTV)**. These metrics are fundamental in determining the profitability and sustainability of a SaaS business.
 - **Questions:**
 - *What are your most recent financial statements, including MRR, ARR, CAC, and LTV metrics?*
 - *Can you provide detailed financial forecasts for the next 1-3 years?*
 - **Green Flag:** Consistently growing MRR/ARR, low churn rates, and a controlled CAC relative to LTV.
 - **Red Flag:** Declining revenues, high churn rates, or CAC that exceeds LTV.
 - **Actionable Recommendation:** Ensure you have accurate financial tracking in place for your key SaaS metrics. Tools like **Baremetrics** and **ChartMogul** can help monitor your MRR, churn, and other vital metrics. Learn more about **SaaS financial management** [here](#).
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3. Customer Contracts & Retention

- **Context:** For SaaS businesses, customer contracts and retention rates are crucial indicators of future revenue stability. Buyers will assess the duration of contracts, renewal rates, and churn to evaluate the sustainability of your revenue streams.
- **Questions:**
 - *Can you provide details of key customer contracts, including contract length, renewal terms, and payment schedules?*
 - *What is your customer retention rate, and how do you manage customer churn?*
- **Green Flag:** Long-term contracts with automatic renewals, high customer retention rates, and diverse revenue sources.
- **Red Flag:** High customer churn, contracts nearing expiration with no renewal process in place, or reliance on a small number of large clients.
- **Actionable Recommendation:** Maintain up-to-date records of customer contracts, renewals, and payment terms. Implement proactive **customer retention** strategies to reduce churn. Consider using **PandaDoc** or **DocuSign** for contract management. For more information, see [contract management solutions here](#).

4. Intellectual Property (IP) & Technology

- **Context:** For B2B SaaS businesses, your intellectual property (IP) and the technology underpinning your platform are among the most valuable assets. Buyers will want to verify that your **software, algorithms, and proprietary technology** are legally protected and scalable.
- **Questions:**
 - *What patents, trademarks, or proprietary technologies does your company own?*
 - *How secure and scalable is your tech stack (e.g., cloud infrastructure, security protocols)?*
- **Green Flag:** Registered patents, trademarks, and proprietary technology that is fully secured and scalable across cloud platforms.
- **Red Flag:** Unclear or missing IP protections, or reliance on outdated or insecure technology.
- **Actionable Recommendation:** Ensure your IP is fully documented and protected through **patents** or **trademarks**. Review your tech stack for scalability and ensure all security protocols (e.g., **SOC 2, ISO 27001**) are up-to-date. Learn more about IP protection at the **Intellectual Property Office** here.

5. Personnel & Key Employees

- **Context:** Talent retention is crucial in SaaS, where key engineers or sales leaders often drive innovation and revenue growth. Buyers will assess the stability of your team and any key person dependencies.
- **Questions:**
 - *What are your key employee retention strategies, and how do you incentivise top talent?*
 - *Are there any critical dependencies on certain individuals within your company?*
- **Green Flag:** Clear employee retention strategies, such as equity options or performance bonuses, and a well-rounded team with low reliance on a few key individuals.
- **Red Flag:** High staff turnover or over-reliance on specific employees whose departure would jeopardise the business.
- **Actionable Recommendation:** Implement long-term **employee retention** programs, such as equity options or performance incentives, to ensure stability in your workforce. Find strategies for retaining SaaS talent here.

Section 2: SaaS-Specific Due Diligence Questions (50%)

1. Recurring Revenue & Business Model

- **Context:** Buyers are particularly focused on the **recurring revenue model** in SaaS, as it offers predictability in future cash flow. Understanding the nuances of your **subscription model** and **pricing strategy** is crucial to buyers.
 - **Questions:**
 - *What is your subscription model (e.g., freemium, tiered pricing), and how do you manage upgrades or downgrades?*
 - *How does your pricing strategy align with customer acquisition and retention?*
 - **Green Flag:** A clear subscription model with low churn and an effective pricing strategy that drives customer upgrades.
 - **Red Flag:** A complex or poorly structured subscription model leading to high churn or poor customer retention.
 - **Actionable Recommendation:** Ensure your subscription model is simple and encourages customer growth (e.g., through upgrades). Tools like **ProfitWell** can help optimise pricing and retention. Learn more about SaaS pricing models [here](#).
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2. Product Scalability & Roadmap

- **Context:** SaaS buyers want to know if your platform can scale efficiently as the customer base grows. They will also evaluate your **product roadmap** to understand the future development of features and capabilities.
 - **Questions:**
 - *How scalable is your product, and what plans are in place for scaling infrastructure as customer demand increases?*
 - *What does your product roadmap look like for the next 12-24 months?*
 - **Green Flag:** A scalable platform with a well-thought-out product roadmap that includes new features and integrations aligned with market needs.
 - **Red Flag:** Poorly defined product roadmap or infrastructure that cannot handle increased demand.
 - **Actionable Recommendation:** Ensure your product roadmap is well-defined and that your infrastructure (e.g., hosted on scalable cloud platforms like **AWS**, **Google Cloud**) can support future growth. Learn more about SaaS scalability [here](#).
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3. Regulatory Compliance & Security

- **Context:** Security and regulatory compliance are significant concerns for SaaS buyers, particularly in sectors where customer data privacy (e.g., **GDPR**, **CCPA**) is critical. Buyers will want to ensure that your SaaS platform adheres to industry security standards.
- **Questions:**
 - *How do you ensure compliance with data protection regulations (e.g., **GDPR**, **SOC 2**)?*
 - *What security protocols and certifications do you have in place (e.g., **SOC 2**, **ISO 27001**)?*

- **Green Flag:** Full compliance with data protection regulations and established security protocols like **SOC 2** or **ISO 27001**.
- **Red Flag:** Lack of security certifications or failure to comply with data protection regulations.
- **Actionable Recommendation:** Implement and maintain industry-standard security protocols and ensure compliance with relevant data regulations. Consider tools like **OneTrust** for GDPR compliance management. Learn more about **SOC 2 certification** here.

Next Steps:

At **Foundy**, we are dedicated to helping **B2B SaaS business owners** not only prepare for sale but also navigate the complexities of the acquisition process from start to finish. Our unique approach combines **long-term exit planning** with **deal execution**, ensuring that our clients are always in the best position to achieve a successful outcome.

Download this resource now and reach out to Foundy if you're considering selling your HealthTech startup. With our specialised expertise, we'll support you in planning the **best exit strategy** for your business, sourcing relevant acquirers, readying your company for sale and securing the best deal.

Connect with our CEO & Founder via Joe@foundy.com or [Linkedin](#). Book in a confidential [call here](#).